



State of Utah

Department of  
Natural Resources

Division of  
Oil, Gas & Mining

ROBERT L. MORGAN  
Executive Director

LOWELL P. BRAXTON  
Division Director

OLENE S. WALKER  
Governor

GAYLE F. McKEACHNIE  
Lieutenant Governor

March 10, 2004

TO: Lowell P. Braxton, Director *mon*  
THRU: Mary Ann Wright, Associate Director  
THRU: D. Wayne Hedberg, Permit Supervisor *DWH*  
FROM: Tom Munson, Senior Reclamation Hydrologist *TM*  
SUBJECT: Request for Approval of Form and Amount of Replacement Surety, Basin Perlite Company, Pearl Queen Perlite Mine, M/001/027, Beaver County, Utah

As you are aware, the reclamation surety posted by American Manufacturers Mutual Insurance Company for Basin Perlite's Pearl Queen Perlite Mine has been canceled effective February 26, 2004. Mr. Bill Wilson posted a \$26,720 Certificate of Deposit (CD) issued by Wells Fargo Bank and was working with the Division to post the remaining surety until it reached the total of \$133,600. Since that time, Mr. Wilson resigned from the company and Tim Hall, President, is now taking over the permitting issues.

On February 27, 2004, Mr. Hall posted a second CD in the amount of \$74,941 which brings the total surety to \$101,661 to cover 21.84 acres. The surety amount was reduced from \$133,600 because the original plan was permitted for 28.71 acres. The Division has agreed to only bond Phase 1 of their plan at this time; thus reducing the acreage by 6.87 acres.

We have now obtained signatures of all parties required on the CD cover letter. If you are in agreement with the acceptance of the \$101,661 reclamation surety for the Pearl Queen Perlite Mine, please sign and date the documents. If the company wishes to expand onto the 6.87 acres in the future, the surety will need to be adjusted prior to expansion.

When everything is signed, will send copies of the finalized and executed documents to Basin Perlite Company for their records, along with the original canceled American Manufacturing surety bond. Copies will also be sent to the BLM, SITLA and Wells Fargo Bank. Thank you for your consideration of this request.

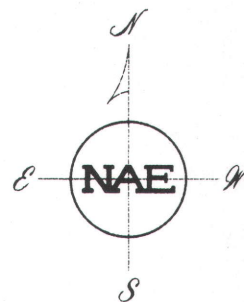
jb  
Enclosure: MR-RC & CD  
O:\M001-Beaver\M0010027-PearlQueen\final\dir-sign-memo-03102004.doc

*Agree LP Braxton  
3-16-04*



# NORTH AMERICAN EXPLORATION, INC.

GEOLOGY GEOPHYSICS GEOCHEMISTRY ENVIRONMENTAL SERVICES



February 17, 2004

Mr. Thomas Munson  
Utah Department of Natural Resources  
Division of Oil, Gas and Mining  
P. O. Box 145801  
Salt Lake City, Utah 84114-5801

RECEIVED

FEB 17 2004

DIV OF OIL GAS & MINING

Dear Tom:

Here is the following data relating to the Pearl Queen Mine, Beaver County, Large Mine Permit M/001/027:

1. Reclamation Contract executed by the President of Basin Perlite Company, Timothy Hall, on February 10, 2004. Mine maps are attached.
2. Letter to Wayne Hedberg from O. Jay Gatten, consultant to Basin Perlite Company, dated February 4, 2004. This letter provides a narrative of disturbed land within the permit boundaries and a reclamation bid estimate of \$101,360. Mine maps are attached.

We look forward to resolving the reclamation bond issues and moving forward on the project.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jay' with a stylized flourish.

O. Jay Gatten

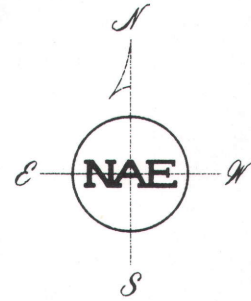
Enclosures (2)

cc: Correspondence (no encls.)  
Project (w/encls.)  
T. Hall, Basin Perlite (no/encls.)

# NORTH AMERICAN EXPLORATION, INC.

GEOLOGY GEOPHYSICS GEOCHEMISTRY ENVIRONMENTAL SERVICES

February 4, 2004



Mr. Wayne Hedberg  
Utah Division of Oil, Gas & Mining  
Box 145801  
Salt Lake City, UT 84114-5801

RECEIVED

FEB 17 2004

Dear Wayne,

DIV OF OIL GAS & MINING

This information relates to Basin Perlite Company's Pearl Queen Mine, which is located in Beaver County and is administered under Large Mine Permit M/001/027. This morning Mary Ann Wright, Tom Munson, you, Tim Hall (President of Basis Perlite Company) and I met in your offices to discuss mining plans and reclamation bond requirements for this coming year.

At this meeting Tim Hall proposed a cash deposit to guarantee that reclamation be conducted on disturbed lands within the permit boundary. This would be in the amount of \$101,630 to cover 21.84 acres that have been disturbed or will be disturbed in 2004 in the course of mining. This acreage is as follows:

* Pearl Queen Pit	10.69 acres disturbed
* Schoo Pit	10.00 acres disturbed
	<u>1.15</u> to be disturbed
	21.84 acres

Mining plans for this year do not include work in the Pearl Queen Pit.

Our bond estimate is based on calculations as follows: The original reclamation bond was \$133,600 for 28.71 acres, or an average cost of \$4,653 per acre. Using this average cost, the bond required to cover the 21.84 acres that will be disturbed is \$101,630. A deposit of \$26,720 was made under a Pledge and Reclamation Agreement dated November 14, 2003, so an additional \$74,910 would be required to reach the required bond level.

Sincerely,

O. Jay Gatten  
Consultant to  
Basin Perlite Company

OJG/tmg  
Attachments (2)  
cc: Project (w/attach)  
Tim Hall (w/attach)



Disturbed Area 12/2003  
 Disturbed Area 2004

SEC. 2

SEC. 1

Expansion 12/02-12/07  
 4.75 acres more or less total

Current Permit Boundary  
 19.3 acres more or less

No Surface Disturbance  
 Until 12/07 2.7 acres

Proposed To  
 Drop From  
 Permit Area  
 13.5 acres

Road To Be Permitted  
 1.2 acres more or less

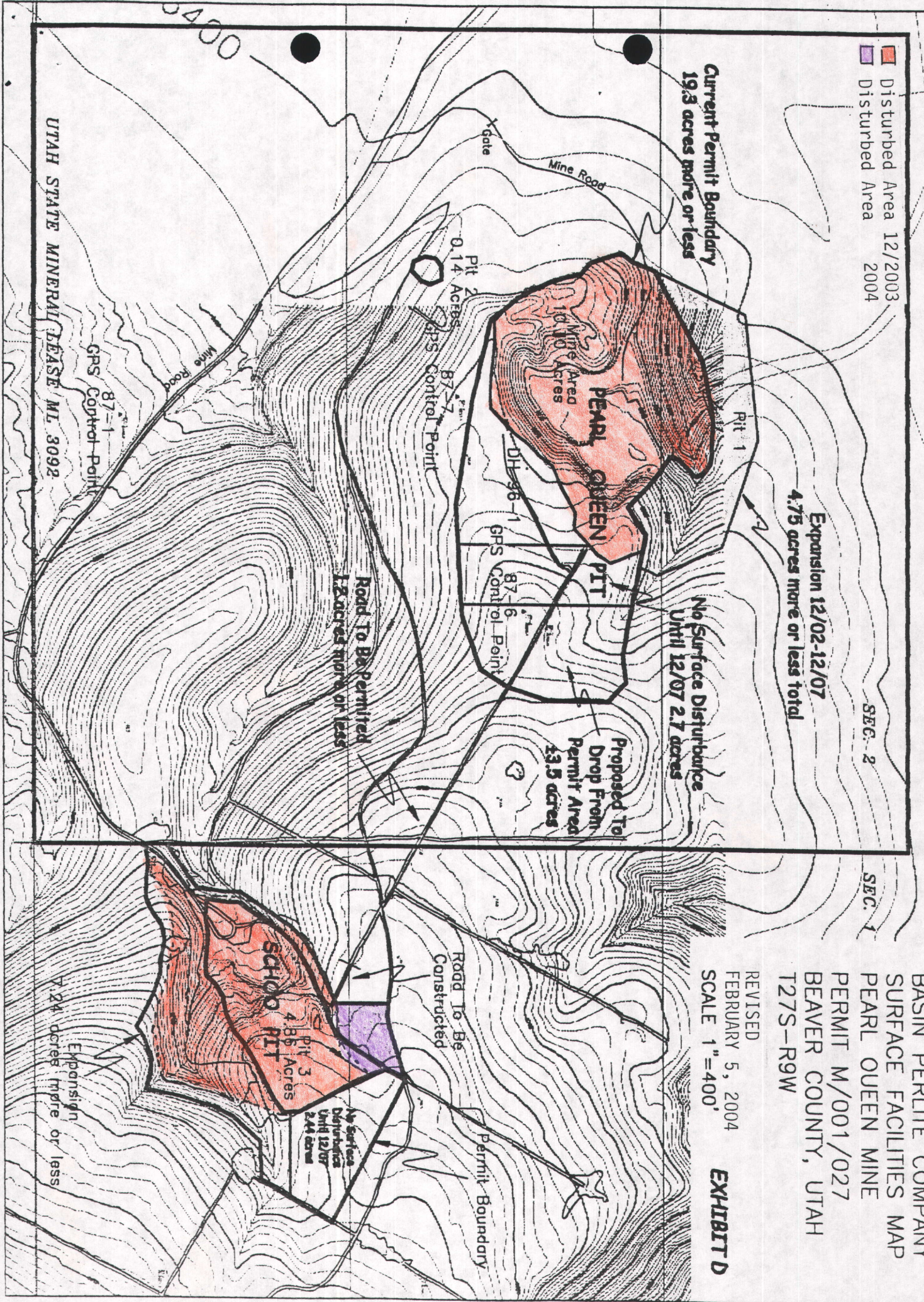
Road To Be  
 Constructed

UTAH STATE MINERAL LEASE ML 3092

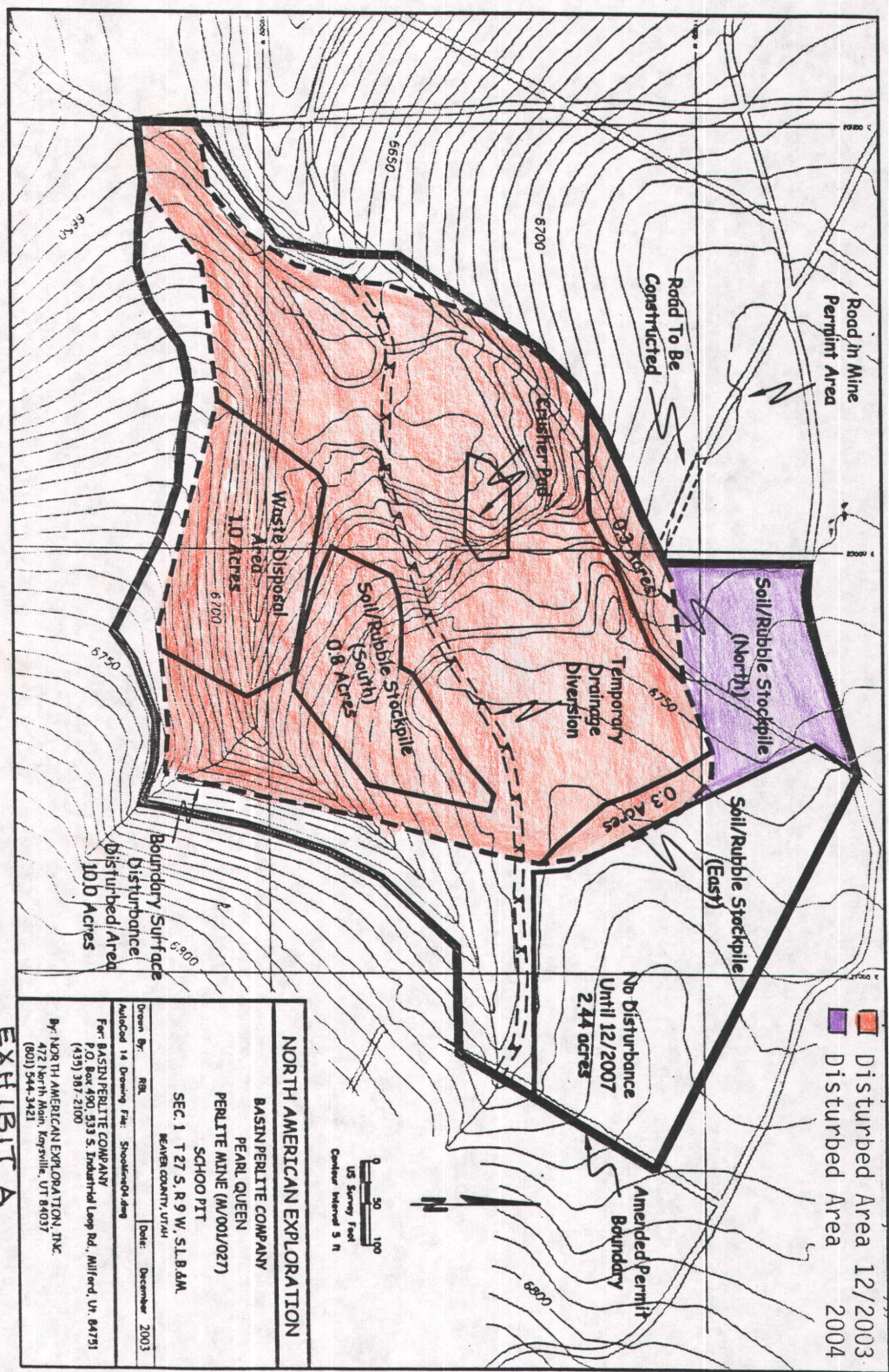
BASIN PERLITE COMPANY  
 SURFACE FACILITIES MAP  
 PEARL QUEEN MINE  
 PERMIT M/001/027  
 BEAVER COUNTY, UTAH  
 T27S-R9W

REVISED  
 FEBRUARY 5, 2004  
 SCALE 1"=400'

**EXHIBIT D**







**EXHIBIT A**